



Iowa Department of Human Services

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Director

INFORMATIONAL LETTER NO.1654

DATE: March 30, 2016

TO: Iowa Medicaid Nursing Facilities (NF), Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/ID), Psychiatric Medical Institutions for Children (PMIC), Pharmacies and Managed Care Organizations (MCOs)

FROM: Iowa Department of Human Services (DHS), Iowa Medicaid Enterprise (IME)

RE: Nonprescription or Over-the-Counter (OTC) Drugs

EFFECTIVE: Immediately

Iowa Administrative Code (IAC) 441 Chapter 78.2(5) has been amended regarding payment for nonprescription drugs (OTC).

To comply with the rule amendment, the cost of nonprescription drugs for use by members in, NFs, ICF/IDs, and PMIC facilities will be allowable on the Medicaid cost report and will be reimbursed through per diem calculations beginning July 1, 2017, for Medicaid Fee-for-Service (FFS) claims. The IME will no longer pay pharmacy providers for the cost of nonprescription drugs effective immediately. This may have no impact on providers who already are including OTC drug costs in their cost reports.

The IME recognizes that in prior periods pharmacies were able to bill Medicaid directly for OTC drugs. With this rule change all nonprescription drugs, including those prescribed by members' physicians, will be the responsibility of the facility. The cost for OTC drugs provided to members of NF and ICF/ID should be reported on the appropriate cost report line.

To be included in a per diem effective July 1, 2017, please refer to the appropriate Iowa Administrative Code for cost report periods used for establishing rates at July 1, 2017. To ensure that the costs for nonprescription drugs are included in rates effective July 1, 2017, pharmacies should begin billing the NFs ICFs/ID, PMICs for those costs immediately. This will require NFs, ICFs/ID, PMICs and pharmacies to examine current relationships and how nonprescription drug costs for members in the facilities are to be billed through July 1, 2017.

Prescription drugs will continue to be paid directly for Medicaid members. Prescription drugs for non-Medicaid members paid for by the facility are not an allowable cost for rate calculations.

If you have any questions please contact the IME Provider Cost Audit and Rate Setting Unit at 1-866-863-8610, or email at costaudit@dhs.state.ia.us.